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Ruth Coleman, Director

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TO:

California Indian Heritage Center Task Force

CC:

Ruth Coleman Walter Grav

FROM:

Cathy Taylor District Superintendent

Capital District, Oalifornia State Parks

SUBJECT: Governance Structure for the CIHC

As the CIHC site selection process draws to a conclusion, and program planning proceeds in earnest, it is a logical time to discuss next steps with respect to Governance of the CIHC.

The Governance subcommittee of the Task Force considered this issue and agreed that a structure should be pursued which allows for a "blended" governance structure which involves representatives of the Native American community, California State Parks, and other stakeholders

The core of this Governance structure is the development of a nonprofit corporation which would take the lead in pursuing funding for the new facility and act as the ongoing support organization for the CIHC. It is envisioned that this new nonprofit corporation could be more central to the operation of the Center over time, up to and including becoming the operator of the facility through an operating agreement with California State Parks.

At the April Task Force meeting, there were many questions about when legislation would be pursued by California State Parks to establish the governance/operating structure of the CIHC. It is the purpose of this memo to explain what steps should be taken to establish this new nonprofit in order for constituent development and fund development activities to begin, and also to explain under what circumstances legislation would be needed for a governance/operating structure to be established for the CIHC.

STEPS TO ESTABLISHING A NONPROFIT CORPORATION TO SUPPORT THE DEVELOPMENT AND OPERATION OF THE CALIFORNIA INDIAN HERITAGE CENTER

- A. Incorporate in California as a nonprofit corporation (cost \$30)
 - 1. Agree on Name: California Indian Heritage Center Foundation

 Agree on type of nonprofit corporation: 501(c) (3) public benefit corporation (also a charitable trust).

- Agree on Board composition (who is on the board in short term, allow Business Plan Consultant and State Parks Staff to assist in developing longer term board composition – Task Force Representatives, California State Parks Representative(s), and Other Stakeholders?).
- Agree on and draft a purpose for the new corporation: To support the development and operation of the California Indian Heritage Center
- Agree on an address and an agent for service of process (this can be an individual or another nonprofit corporation until such time as the new nonprofit can establish this agent).
- 6. Develop Articles of Incorporation for the new nonprofit including items 1-4 above. The Articles must be signed by an incorporator, or by directors, if initial directors have been named in the document. If directors are named, each director must both sign and acknowledge the articles.
- 7. File 4 copies of Articles of Incorporation with California Secretary of State
- After Incorporation, file with Franchise Tax Board an Exemption Application (FTB Form 3500) with endorsed copy of Articles and other supporting documentation.
- Seek Federal IRS Tax-Exempt Status as a 501 (c) (3) public benefit corporation (estimated \$3000)
 - Complete Form 1023 Application for Recognition of Exemption under Section 501 (c) (3) of the Internal Revenue Code
 - 2. Develop and file with application in #1 the organization's guiding documents:
 Articles of Incorporation (already done for State filing)
 Bylaws
 Description of Activities (Business Plan)
 Financial Data (proposed budget for 2 full accounting periods)
 Other information about organization as may be requested by IRS
- C. Pursue further development of the nonprofit corporation and governance structure of the CIHC through consultant services for Business Plan development.

POTENTIAL NEED FOR LEGISLATION

It appears that much can be accomplished with the incorporation of a new nonprofit to support the development and ongoing operation of the California Indian Heritage Center without the need for legislation at this time. In fact, before California State Parks can enter into an operating agreement with a nonprofit entity, that organization needs to be in existence and already proven to be a viable partner. Therefore, development of the nonprofit corporation now will yield the following benefits to the CIHC:

- Establish a nonprofit support (cooperating association) organization which can be fully developed in time to begin fundraising at appropriate time to be ready to design and build the CIHC.
- Establish an identity for the CIHC in partnership with California State Parks.
- Establish a nonprofit support structure for CIHC which can accept private donations, public grants, and other funds for the development of the facility and for ongoing operations.
- Upon Incorporation and IRS Determination for Tax Exemption (6 months process estimated), begin formal fund development activities to build the facility.
- 5. Operate a nonprofit in a professional manner for a period of time to establish that this new nonprofit can be a viable partner for the operation of the facility via an operating agreement with California State Parks, if so desired. This would in effect implement the "blended" operating structure desired by the Task Force "Governance Subcommittee."

With these issues in mind, staff recommends that nonprofit status be pursued as soon as possible to develop the California Indian Heritage Center Foundation. As the organization comes into existence and evolves with the assistance of initial board members, State Parks staff and project consultants, there may be a need for legislation to provide authority to enter into an operating agreement. However, it is staff's opinion that this is not needed yet, and should be a potential outcome of the consultant process to develop a Business Plan which will be discussed at the May Task Force meeting.